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RETURN TO SENDER			
ACTION		CONCURRENCE	INFORMATION
COMMENT		FILE	SIGNATURE
REMARKS <i>Ref. your wire of 5 July 63 re: FEIC.</i> <i>From all available indications,</i> <i>this company is in sound financial</i> <i>condition and well qualified to</i> <i>carry out its commitments. Attached</i> <i>is a recent digest by Standard &amp;</i> <i>Poor's Corp.</i>			
FROM			
NAME AND ADDRESS		PHONE NO.	
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		DATE	
		9 July '63	

# Fairchild Camera & Instrument

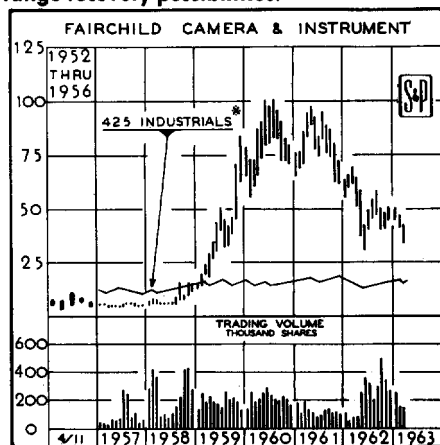
Stock—  
COMMON

Approx. Price  
34 1/4

Dividend  
\$0.50

Yield  
1.5%

**RECOMMENDATION:** This company is broadening its activities in the electronics, graphic, photographic, and business machines fields at a rapid pace through extensive product development and an aggressive acquisition program. Heavy non-recurring expenses associated with the expansion of the business will retard earnings progress in 1963, despite a favorable sales outlook. However, at current reduced prices, retention of the stock is advisable for its longer-range recovery possibilities.



\* Charted on special comparable scales; values not shown.

Quarter:	1962	1961	1960	1959	1958
March.....	23.88	20.66	13.84	9.74	7.21
June.....	25.60	23.92	16.45	9.01	8.18
Sept. ....	24.14	22.09	19.18	11.65	7.32
Dec. ....	27.92	25.58	18.47	13.04	8.96

Aggregate revenues (including machine rentals) rose 10% from those of a year earlier to a new peak. The gain in volume reflected higher sales of semiconductor devices and virtually all commercial lines, as well as the contribution of recent acquisitions. Margins widened slightly, despite heavier expenditures for company-sponsored research and development. Hence, operating income was up 11%. The gain in pretax profits was pared to 8.5% following a larger combined deduction for non-operating charges. However, since the net provision for taxes was lower at 32.7%, against 36% a year before (an available tax loss carry-forward was applied to 1962 and 1961 results equal to \$0.65 a share and \$0.57 a share, respectively), the advance in final net was extended to 14%.

Quarter:	1962	1961	1960	1959	1958
March.....	0.54	0.36	0.39	0.19	0.11
June.....	0.59	0.57	0.43	0.21	0.06
Sept. ....	0.55	0.58	0.50	0.30	0.10
Dec. ....	0.69	0.59	0.35	0.35	0.24

<sup>35</sup>COMMON SHARE EARNINGS (\$) <sup>1</sup>Listed N.Y.S.E.; also traded Midwest, Phila.-Balt.-Wash. and Pacific Coast S.E.s. <sup>2</sup>Paid on Dec. 18, 1962. <sup>3</sup>Adj. for 2-for-1 splits in Nov. 1961 & Dec. 1959. <sup>4</sup>Incl. Allen B. DuMont Laboratories from July 5. <sup>5</sup>Incl. \$0.57 a sh. spec. cr. in 1961, \$0.65 in 1962.

## PROSPECTS

**Near Term—**The upward trend in sales is expected to continue in 1963, and total revenues for the full year should comfortably surpass the record \$101.5 million of 1962. The projected rise in volume will stem from a further expansion of the semiconductor business, the introduction of new commercial products, larger shipments under defense contracts, and the series of acquisitions effected in 1962.

Nevertheless, margins will be adversely affected during the forepart of 1963 by burdensome start-up costs for improvement of certain lines and a temporary slump in the company's aerospace programs. While net profits from operations may be about the same in 1963 as those for 1962, tax benefits derived from the remainder of the available loss carry-forward will be considerably less. Thus, indications are that share earnings for 1963 will be at least moderately below the \$2.36 a share (including the special credit of \$0.65 a share), which was reported for the preceding year. A \$0.50 annual dividend was disbursed in December, 1962.

**Long Term—**Growth prospects still appear promising for the company's highly specialized semiconductor lines, graphic equipment, and other new commercial lines in subsequent years.

## RECENT DEVELOPMENTS

In March, Fairchild and union representatives of the International Association of Machinists signed a three-year wage contract. The new labor pact covers production and maintenance employees at the Long Island plants.

## DIVIDEND DATA

Under a new credit and term loan agreement being negotiated in March, 1963, the payment of cash dividends would be limited to 50% of consolidated net earnings after January 1, 1963. The most recent annual disbursement was:

Amt. of Divd. \$	Date Decl.	Ex-divd. Date	Stock of Record	Payment Date
0.50...	Nov. 20	Nov. 27	Nov. 30	Dec. 18 '62

## STANDARD LISTED STOCK REPORTS

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## STANDARD & POOR'S CORP.

INCOME STATISTICS (Million \$) AND PER SHARE (\$) DATA

Year Ended Dec. 31	Net Sales	% Oper. Inc. of Sales	Oper. Inc.	Maint. & Repairs	Deprec. & Amort.	Net Bef. Taxes	<sup>1</sup> Net Inc.	<sup>1</sup> Earns.	<sup>2</sup> Common Share (\$)	Divs. Paid	Price Range
1963---											50½-34¾
1962---	101.54	13.0	13.22	---	3.76	8.90	5.99	2.36	0.50		70½-31
1961---	92.25	12.9	11.90	0.85	3.16	8.20	5.25	2.10	0.50		97¾-62¾
1960---	67.94	13.8	9.35	0.67	2.19	6.99	3.76	1.54	0.25		100½-55½
1959---	43.44	13.3	5.79	0.38	1.48	4.36	2.07	1.00	0.25		78½-12¾
1958---	31.67	10.6	3.36	0.17	1.31	1.87	0.54	0.29	0.12½		16½-4¾
1957---	36.99	8.7	3.22	0.21	1.22	1.86	0.80	0.42	0.12½		6½-4
1956---	42.97	4.1	1.74	0.66	1.13	0.48	<sup>3</sup> 0.70	0.37	0.19		6½-4¾
1955---	33.07	5.7	1.89	1.26	0.99	0.85	0.79	0.42	0.25		7½-7¾
1954---	42.44	10.4	4.43	1.05	0.91	3.26	1.61	0.88	0.12½		9½-5
1953---	25.69	11.4	2.93	1.01	0.73	1.69	0.88	0.48	0.05¾		6½-3¾

PERTINENT BALANCE SHEET STATISTICS (Million \$)

Dec. 31	Gross Prop.	<sup>2</sup> Capital Expend.	Cash Items	Inventories	Receivables	Current Assets	<sup>3</sup> Liabs.	Net Workg. Cap.	Cur. Ratio	Long Term Debt	<sup>4</sup> Book Val. Com. Sh.
1962---	34.80	---	3.04	20.53	25.61	49.84	29.14	20.70	1.7-1	5.28	15.02
1961---	29.00	5.17	2.67	13.97	17.71	34.78	17.02	17.75	2.0-1	3.76	13.58
1960---	25.02	4.41	3.84	15.97	13.92	34.16	19.34	14.82	1.8-1	3.44	12.19
1959---	15.15	3.25	1.45	9.60	8.30	19.59	11.85	7.74	1.7-1	2.90	7.49
1958---	12.71	1.52	1.11	6.34	5.91	13.58	6.84	6.74	2.0-1	2.80	7.12
1957---	11.89	1.37	1.44	4.11	6.31	12.09	5.69	6.41	2.1-1	1.78	6.98
1956---	13.84	1.54	1.56	5.79	7.73	15.31	9.59	5.71	1.6-1	2.07	6.60
1955---	13.39	1.09	2.37	3.54	4.52	10.63	4.70	5.93	2.3-1	2.71	6.17
1954---	12.65	1.17	2.95	3.38	2.76	9.24	5.23	4.01	1.8-1	1.21	6.00
1953---	11.94	2.16	1.71	7.35	3.59	12.78	9.68	3.11	1.3-1	1.97	5.10

<sup>1</sup>Bef. special credit of \$0.10 a sh. in 1956; aft. special charges of \$0.16 a sh. in 1958 & \$0.04 in 1957; incl. spec. credit of \$0.14 in 1960, \$0.57 in 1961, & \$0.65 in 1962. <sup>2</sup>As reported to SEC. <sup>3</sup>Aft. deduct. U.S. Treas. tax notes. <sup>4</sup>Adj. for 2-for-1 splits in 1961 & 1959, & 10% stk. divd. in 1953. <sup>5</sup>Aft. tax credit.

Fundamental Position

The Semiconductor division of Fairchild is a leading factor in the electronics component industry, and this unit is the largest contributor to the company's current sales. It develops and manufactures high-performance silicon transistors and diodes for military and commercial use. Operations also cover virtually all advanced areas of the field, including microcircuitry.

The Space & Defense Systems division is primarily engaged in development and manufacture of electronic systems and equipment for aerospace, ground, and undersea applications. Virtually all sales are derived from Government contracts.

The Industrial Products division makes high-speed camera equipment, automatic film processors, identification cameras, facsimile equipment, an 8mm. sound movie camera and projector for amateur and educational use, and flight data recorders.

Other divisions and subsidiaries include the Graphic Equipment division, manufacturer of electronic engraving equipment for the newspaper and printing industry, equipment for the automation of typesetting machinery, electronic color scanning devices for the graphic arts, and specialized equipment for the transmission of news photographs by wire or radio (these machines are leased and provide a steady source of rental income); Fairchild Controls Corp., maker of electronic devices for aerospace and industrial applications, such as precision potentiometers and miniature gyros; the Industrial Electronic division, manufacturer of scientific instruments, mobile radio systems, closed-circuit television cameras, and electronic automotive test equipment; the

Electronic Tube division, producer of cathode-ray, multiplier-photo, and direct-storage tubes; Aerial Surveys division, works on photographic and topographic mapping projects, and marine sonoprobe surveys; the Precision Metal Products division, maker of precision components for the aerospace industry; the Cable division, fabricator of specialized cable and harness for aircraft and missile firms; the Davidson-Business Machines division, maker of offset presses and office and postage meter machines.

In 1961 (latest year available), Space & Defense Systems division accounted for 32% of sales, Semiconductor division 31%, Graphic division 16%, and other units 21%.

Dividends have averaged 24% of earnings in the past decade.

Employees: 7,369. Shareholders: 11,606.

Finances

Fairchild has made provision in its accounts for asserted deficiencies (still undetermined in amount) in the income tax returns of Allen B. DuMont Laboratories, Inc. (acquired in 1960) for the years 1952 through 1958. The remainder of the tax loss carry-forward from the DuMont merger was about \$858,000 (net) at the 1962 year end.

The company has announced plans to spend \$10 million in capital expenditures in 1963. A loan agreement was being arranged in March, 1963; borrowings would be increased \$10 million, repayable in semi-annual installments from September, 1963.

CAPITALIZATION

LONG TERM DEBT: \$5,275,353.

COMMON STOCK: 2,535,083 shares (\$1 par).

S. M. Fairchild controlled 19.9% in January, 1963.

Incorporated in Del. in 1927. Office—Robbins Lane, Syosset, L.I., N.Y. Pres—R. Hodgson. Secy-Treas—G. J. Wade. Dirs.—J. Carter (Chrmn), W. F. Burke, Jr., C. H. Colvin, S. M. Fairchild, W. C. Franklin, R. Hodgson, W. B. Scarborough, J. B. Wharton, Jr. Transfer Agent—Bank of N.Y., NYC. Registrar—First National City Bank, NYC.

Information has been obtained from sources believed to be reliable, but its accuracy and completeness, and that of the opinions based thereon, are not guaranteed. Printed in U. S. A.

SECRET

SPECIAL HANDLING

ROUTINE

5 JUL 63

25X1A  
TO: [REDACTED]

25X1A  
FROM: [REDACTED] 3132

ARGON

25X1A  
FOR [REDACTED]

25X1A  
FAIRCHILD'S PROPOSAL OF [REDACTED] FOR FOUR NEW ARGON CAMERA SUBSYSTEMS IS QUOTED ON A FIXED PRICE BASIS. CAN YOU PROVIDE ME WITH LATEST INFORMATION ON CURRENT FINANCIAL STATUS OF FAIRCHILD SPACE AND DEFENSE SYSTEM (FSDS) WITH YOUR RECOMMENDATION AS TO ITS CONDITION. FYI THE FIRST SE MEETING IS SCHEDULED AT FAIRCHILD ON 11 JUL. CONTRACT AWARD WILL NOT BE MADE TO FAIRCHILD UNTIL SOME AGREED UPON DATE AFTER THIS MEETING WHEN FY64 FUNDS HAVE BEEN MADE AVAILABLE TO ME.

SECRET

SPECIAL HANDLING